



UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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PICTURE PATENTS, LLC, :

Plaintiff, : 07 Civ. 5465 (JGK) (HBP)

-against- :

TERRA HOLDINGS LLC, et al., :

Defendants. :

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PICTURE PATENTS, LLC, :

Plaintiff, : 07 Civ. 5567 (JGK) (HBP)

-against- : MEMORANDUM OPINION

AEROPOSTALE, INC., et al., : AND ORDER

Defendants. :

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PITMAN, United States Magistrate Judge:

I. Introduction

By letter dated October 22, 2008, defendants in both of these actions move to stay discovery and to stay all discovery deadlines pending the resolution of their motion to dismiss the actions for lack of subject matter jurisdiction. For the reasons set forth below, defendants' motion is granted.

II. Facts

This is a patent infringement action. Plaintiff alleges that it is the assignee of United States Patent No. 6,278,455, entitled "Pictorial Interface for Accessing Information in an Electronic File System" (the "'455 Patent"). As described by plaintiff, the claims in issue in this action

are generally directed to an interface for a computer system that allows users to access files within that system. . . . The interface consists generally of a picture displayed on a computer screen that users can divide up into regions of arbitrary size and locations. . . . Users can then link the different regions in the pictures to the files in the computer system. . . . In this manner, subsections of pictures can be used to navigate through and select files from an electronic file system. . . .

(Plaintiff Picture Patents' Memorandum of Law in Opposition to Defendants' Motion to Dismiss, dated Nov. 4, 2008, at 2).

Plaintiff's assignor -- the inventor -- claims to have invented the interface while she was employed by International Business Machines Corporation ("IBM") in the early 1990s. At the commencement of her employment with IBM, plaintiff's assignor executed a document entitled "Agreement Regarding Confidential Information and Intellectual Property" ("Invention Agreement") which provided, in pertinent part:

I hereby assign to IBM my entire right, title and interest in any idea, invention, design of a useful article (whether the design is ornamental or otherwise), computer program and related documentation, and other work of authorship (all hereinafter called "Developments"), hereafter made or conceived solely or

jointly by me, or created wholly or in part by me, whether or not such Developments are patentable, copyrightable or susceptible to other forms of protection, and the Developments:

(a) relate to the actual or anticipated business or research or development of IBM or its subsidiaries, or

(b) are suggested by or result from any task assigned to me or work performed by me for or on behalf of IBM or its subsidiaries.

(Ex. 1 to the Affirmation of Nathan K. Cummings, Esq., dated Oct. 20, 2008 ("10-20-08 Cummings Aff."), at ¶ 4).

Defendants' principal argument in their motion to dismiss is that the invention disclosed in the '455 Patent was conceived while plaintiff's assignor was employed by IBM and that by virtue of the Invention Agreement, IBM owns the '455 Patent. Although plaintiff's assignor does not dispute that she conceived the invention disclosed in the '455 Patent while she was employed by IBM, she claims that it is not covered by the Invention Agreement because it does not fit within either subparagraph.

III. Analysis

Except in cases covered by the Private Securities Litigation Reform Act, a motion to dismiss does not automatically stay discovery. In re WRT Energy Sec. Litig., 96 Civ. 3610 (JFK), 96 Civ. 3611 (JFK), 1996 WL 580930 at *1 (S.D.N.Y. Oct. 9, 1996); see Moran v. Flaherty, 92 Civ. 3200 (PKL), 1992 WL 276913 at *1 (S.D.N.Y. Sept. 25, 1992). A motion to dismiss may,

however, provide "good cause" for protective order pursuant to Fed.R.Civ.P. 26(c) staying discovery. As explained by the Honorable Peter K. Leisure, United States District Judge, in Niv v. Hilton Hotels Corp., 06 Civ. 7839 (PKL), 2007 WL 510113 at *1 (S.D.N.Y. Feb. 15, 2007):

Good cause may be shown where a party has filed, or has sought leave to file, a dispositive motion, the stay is for a short period of time, and the opposing party will not be prejudiced by the order. See Spencer Trask Software & Information Services, LLC v. RPost Intern. Ltd., 206 F.R.D. 367, 368 (S.D.N.Y., 2002); Anti-Monopoly, Inc. v. Hasbro, Inc., No. 94 Civ. 2120, 1996 WL 101277, at *2, 1996 U.S. Dist. LEXIS 2684, at *6 (S.D.N.Y. March 7, 1996) (collecting cases).

However, while discovery may in a proper case be limited or stayed pending the outcome of a motion to dismiss, the issuance of a protective order is by no means automatic. See Spencer Trask, 206 F.R.D. at 368 (citing cases). Two related factors a court may consider in deciding a motion for a restriction or stay of discovery are the breadth of discovery sought and the burden of responding to it. See Anti-Monopoly, Inc., 1996 WL 101277, at *3, 1996 U.S. Dist. LEXIS 2684, at *6-7. Finally, a court should also consider the strength of the dispositive motion that is the basis of the application. See, e.g., Gandler v. Nazarov, No. 94 Civ. 2272, 1994 WL 702004, at *4, 1994 U.S. Dist. LEXIS 17885, at *12 (S.D.N.Y. Dec. 14, 1994) (stay of discovery should be granted where motion to dismiss "is potentially dispositive, and appears to be not unfounded in the law.").

See also 2 Michael C. Silberberg, Edward M. Spiro & Judith L. Mogul, Civil Practice in the Southern District of New York § 24:5 at 24-9 (2d ed. 2008) ("In determining whether to stay discovery during the pendency of a dispositive motion, the court will generally look to three factors: (1) breadth of discovery

sought, (2) any prejudice that would result, and (3) the strength of the motion.").

In this case, I conclude that the factors tilt in favor of a stay.

The factor that weighs most heavily in favor of a stay is the strength of defendants' motion. Although the ultimate determination of that motion is up to Judge Koeltl, I have reviewed the memoranda of law submitted by counsel in support of and in opposition to the motion, and defendants' arguments appear to be substantial. Although the issuance of the '455 Patent to plaintiff's assignor is prima facie evidence of ownership, sufficient to confer standing to sue on plaintiff's assignor, see Leighton Techs. LLC v. Oberthur Card Sys., N.A., 531 F. Supp.2d 591, 593 (S.D.N.Y. 2008), there are factors here which give rise to serious questions concerning plaintiff's assignor's ownership. The Invention Agreement appears to be extremely broad, operating as an assignment of inventions that "relate to the actual or anticipated business or research or development of IBM or its subsidiaries," without regard to whether the invention was conceived during the course of an employee's work or whether company assets were utilized in the process. Defendants point out that at least two patents owned by IBM -- U.S. Patent Nos. 5,347,628 and 5,442,736 -- are cited as references in the '455 Patent (10-20-08 Cummings Aff. Ex. 3; Exs. 27 & 28 to the Affir-

mation of Nathan K. Cummings, Esq., dated Nov. 14, 2008). The citation by the examiner of these two patents as references suggests that the '455 Patent relates to IBM's business and is, therefore, within the scope of the Invention Agreement. Given these facts, defendants' argument that the invention has already been assigned to IBM cannot be summarily dismissed and, at least preliminarily, appears to have weight. See Imatek, Ltd v. Apple Computer, Inc., 81 F. Supp.2d 471, 480-83 (S.D.N.Y. 2000), aff'd without published opinion, 15 F. App'x 887 (Fed. Cir. 2001).

In reaching this conclusion, I am aware that IBM has had actual knowledge of the claim by plaintiff's assignor that she owns the invention for approximately fifteen years and that IBM has taken no steps to assert ownership. However, unless and until adverse possession of a patent is found sufficient to confer title,¹ any defects that may confront a claim of ownership by IBM do not defeat defendants' arguments that plaintiff's assignor transferred the right to the invention to IBM prior to the assignment to plaintiff. Imatek, Ltd. v. Apple Computer Corp., supra, 81 F. Supp.2d at 483 n.5 (defense of lack of patent

¹As far as I am aware, there is no authority supporting the proposition that title to a patent can be acquired through adverse possession. See Daniel J. McFeely, Comment, An Argument for Restricting the Patent Rights of Those Who Misuse the U.S. Patent System to Earn Money Through Litigation, 40 Ariz. St. L.J. 289, 318 (2008) ("Although the law of adverse possession is well-established in the area of real property law, it has not yet been applied in the intellectual property areas of copyright or patent law.").

ownership is not defeated by the fact that any claim of ownership by first transferee may be barred by statute of limitations).

Turning to the remaining two factors -- the breadth of discovery sought and prejudice -- it also appears that permitting discovery to proceed is not appropriate. Defendants have identified at least 17 discovery disputes that will need resolution if the matter proceeds.² In addition, plaintiff itself has already raised several discovery disputes. Finally, given that more than a dozen defendants remain in these two actions, the discovery will necessarily be time consuming, burdensome and expensive. If defendants' dismissal motions prove meritorious, the burden of litigating the discovery issues will have been for nothing and defendants will have suffered the burden of unnecessary legal fees. Plaintiff, on the other hand, does not practice the patented invention and is not, therefore, in a position to seek entitled to a preliminary injunction. See High Tech Med. Instr., Inc. v. New Image Indus., Inc., 49 F.3d 1551, 1556-57 (Fed. Cir. 1995); Roper Corp. v. Litton Sys., Inc., 757 F.2d 1266, 1273 (Fed. Cir. 1985); BIC Corp. v. Thai Merry Co., 98 Civ. 2113

²These issues include, but are not limited to, plaintiff's alleged failure to provide complete infringement claim charts, plaintiff's alleged failure to produce discovery concerning licensing, plaintiff's alleged failure to respond to interrogatories properly, issues concerning the applicability and waiver of the attorney-client privilege, whether documents have been properly redacted and production of electronic discovery (see Letter from Nathan K. Cummings, Esq. to the undersigned, dated Nov. 26, 2008, at 2-3).

(DLC), 1999 WL 893134 at *5 (S.D.N.Y. Oct. 18, 1999). Thus, a stay of discovery will not result in irreparable injury or prejudice to plaintiff; if plaintiff proves infringement, its damages for the period prior to judgment will simply be greater.

IV. Conclusion

Accordingly, for all the foregoing reasons, defendants' application for a stay of discovery and stay of all deadlines currently in place is granted.

Dated: New York, New York
December 3, 2008

SO ORDERED


HENRY PITMAN
United States Magistrate Judge

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